

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1134 - SB 1161

March 9, 2015

SUMMARY OF BILL: Directs the Commissioner of Finance and Administration to apply for an appropriate federal waiver to the federal Department of Health and Human Services to provide medical assistance to certain persons whose income does not exceed 138 percent of the federal poverty line. An uninsured adult whose income is between 100 and 138 percent of the federal poverty line and who is employed for more than 24 hours per week each month will be eligible to receive a voucher from the Bureau of TennCare. The voucher will equal \$300 per month for an individual and \$500 per month for an individual with dependents and can be applied to any individual or group health insurance plan lawfully offered in the state. The program will terminate if the federal Patient Protection and Affordable Care Act and federal funding for an expansion of medical assistance and the legislation is no longer in effect.

The program is to be funded from revenues from the Annual Hospital Coverage Assessment. The annual assessment is increased from 4.52 percent to 6 percent and the assessment is extended indefinitely.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$147,279,600/Maintenance of Coverage Trust Fund

Other Fiscal Impact – It is unknown if or when the federal government will approve a waiver authorizing the proposed voucher program and the number of enrollees in each voucher program. At the earliest, it is assumed that the program would not be operational prior to FY16-17. State expenditures are estimated to range from \$14,888,700 to \$24,407,800 which includes administrative costs and is dependent on the level of voucher the enrollee is eligible to receive. Federal expenditures are estimated to range from \$557,478,500 to \$928,724,200.

Assumptions:

State and Federal Expenditures:

- Based on information provided by the Bureau of TennCare, the Centers for Medicare and Medicaid Services (CMS) will not approve a waiver to implement a voucher system because 42 CFR 440.230 regulates Medicaid services to be sufficient in amount, duration, and scope to reasonably achieve their purpose and the voucher proposed would be insufficient to purchase insurance that would meet the requirements for some of the the highest cost individuals who receive TennCare services.

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- If CMS were to approve the waiver, it is unknown as to when the program would be implemented and what type of federal participation, if any would be approved with the waiver. For the purposes of this analysis, it is assumed implementation of the program would not begin until at least July 1, 2016, due to the time necessary to seek and receive CMS approval.
- Enrollment projections for the proposed Insure Tennessee program for individuals under 138 percent of federal poverty for FY16-17 were 293,800 individuals would qualify. It was further projected that 54 percent of those individuals were working or had worked in the previous year. It is assumed that 158,652 (293,800 x 54.0%) could be eligible for this program and the eligible enrollment will remain constant.
- At a minimum, each eligible individual would receive \$300 per month for the voucher program resulting in increased expenditures exceeding \$571,147,200 (\$300 x 12 months x 158,652).
- If each eligible individual had a dependent, expenditures in the first year could exceed \$951,912,000 (\$500 x 12 months x 158,652).
- Because federal matching funds and the eligible rates are dependent on CMS approval for the program, the exact amount of federal matching funds received is unknown. For the purposes of this analysis, it is assumed that the purpose of the proposed program is to provide assistance to those not currently covered under the current Medicaid program and that CMS will approve the program as a waiver to Medicaid expansion under the Affordable Care Act and the state will receive the enhanced federal matching funds for the program.
- Federal matching funds will be 100 percent in calendar year 2016 and will reduce to 95 percent in calendar year 2017. Federal matching funds will continue to decrease each through calendar year 2020 when the federal matching funds will be 90 percent.
- Estimated state and federal expenditures at the lowest voucher level:

Fiscal Year	Enrollees	Minimum Voucher \$300	FMAP July -Dec	FMAP Jan-June	Federal Funds	State Funds
FY16-17	158,652	\$571,147,200	100%	95%	\$556,868,520	\$14,278,680
FY17-18	158,652	\$571,147,200	95%	94%	\$539,734,104	\$31,413,096
FY18-19	158,652	\$571,147,200	94%	93%	\$534,022,632	\$37,124,568
FY19-20	158,652	\$571,147,200	93%	90%	\$522,599,688	\$48,547,512
FY20-21	158,652	\$571,147,200	90%	90%	\$514,032,480	\$57,114,720

- Estimated state and federal expenditures at the highest voucher level:

Fiscal Year	Enrollees	Maximum Voucher \$500	FMAP July -Dec	FMAP Jan-June	Federal Funds	State Funds
FY16-17	158,652	\$951,912,000	100%	95%	\$928,114,200	\$23,797,800
FY17-18	158,652	\$951,912,000	95%	94%	\$899,556,840	\$52,355,160
FY18-19	158,652	\$951,912,000	94%	93%	\$890,037,720	\$61,874,280
FY19-20	158,652	\$951,912,000	93%	90%	\$870,999,480	\$80,912,520
FY20-21	158,652	\$951,912,000	90%	90%	\$856,720,800	\$95,191,200

- Based on information provided during the Extraordinary Session of the 109th General Assembly, the Bureau of TennCare administration of enrollment and payments for a portion of the proposed Insure Tennessee program that included premium assistance payments would have resulted in recurring expenditures of \$720,000. Fifty percent of these funds will be federally matched; therefore, the state funds are estimated to be \$360,000 and federal funds are estimated to be \$360,000.
- There will be one-time expenditures incurred in FY16-17 to make changes to the Medicaid Management Information System estimated to exceed \$500,000. Fifty percent, or \$250,000, will be federal funds and \$250,000 will be state funds.

State Revenue:

- The Annual Coverage Assessment Act of 2014 is set to expire on June 30, 2015. The proposed legislation will increase the assessment to six percent and continue the assessment into perpetuity. This provision is not dependent on CMS approving the voucher program.
- The FY14-15 assessment is 4.52 percent of the covered hospital's annual coverage assessment base based on the hospital's net patient revenue resulting in revenue of \$449,800,000.
- Increasing the assessment by 1.48 percent will result in an additional \$147,279,646 $[(449,800,000 / 0.0452) \times 0.0148]$.
- Pursuant to Tenn. Code Ann. §71-5-805 (i), no part of the maintenance of coverage trust fund shall be diverted to the general fund or used for any purpose other than set forth in this part. Since the voucher program is not included in Tenn. Code Ann. Title 71, Chapter 5, Part 8, the increased revenue from the increased annual coverage assessment percentage will not be used to cover the increased cost of the voucher program.

IMPACT TO COMMERCE:

Other Impact – The estimated fiscal impact to commerce in the state as a result of the proposed legislation cannot be reasonably determined due to a number of unknown factors.

Assumptions:

- There could be varying degrees of economic impact to the health care industry as a whole in the state of Tennessee including but not limited to health insurance companies, hospitals, clinics, individual health care providers, and pharmacists.
- It is estimated that 158,652 individuals could be eligible for a voucher to assist in purchasing health insurance under the proposal within the first full year. It is unknown if CMS will approve the program, when the program will be operational, and if the voucher amounts will be sufficient to cover the cost of insurance premiums in addition to any out-of-pocket costs.
- If the voucher is sufficient and these individuals would then be enrolled in health insurance and could receive health care services that they are not currently seeking, there

could be increased business for health insurance companies offered in the state and health care providers within the insurance networks.

- Health care providers could incur economic impacts depending on the type of insurance and the medical coverage that is obtained by these individuals after receiving coverage versus the type of care the individual is receiving as an uninsured individual. Also, the cost for services can differ depending on health coverage, network discounts, etc.
- Due to a number of unknown factors a reasonable estimate of the impact the proposed legislation may have on commerce is indeterminable.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

/kml